

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:

R. ESMERIAN, INC., and
RALPH ESMERIAN

Alleged Debtors.

Chapter 7

Case No. 10-[]

Case No. 10-[]

**AFFIDAVIT OF MARLON QUAN PURSUANT TO FEDERAL RULE OF
BANKRUPTCY PROCEDURE 1003**

STATE OF CONNECTICUT)
) ss.
COUNTY OF FAIRFIELD)

1. I make this affidavit on behalf of Stewardship Credit Arbitrage Fund LLC (“SCAF LLC”), a petitioning creditor in the involuntary chapter 7 bankruptcy cases (the “Bankruptcy Cases”) to be filed by SCAF LLC and others against R. Esmerian, Inc. (“REI”) and Ralph Esmerian (“Esmerian,” and together with REI, the “Alleged Debtors”). I am fully familiar with the facts set forth herein either through my own personal knowledge or through a review of documents relevant to SCAF LLC’s claims against REI and Esmerian. If called to testify in connection with the involuntary bankruptcy cases, the following would constitute my testimony.

2. I am the Managing Member of Stewardship Investment Advisors, LLC, the Managing Member of SCAF LLC, am authorized to make this affidavit and to execute a petition commencing the Bankruptcy Cases on its behalf. SCAF LLC is a Delaware limited liability company, with a principal place of business at 500 West Putnam Avenue, Suite 1100, Greenwich, Connecticut. SCAF LLC is a creditor of REI as assignee of certain promissory notes and related documents, as described in greater detail below.

The REI Loan

3. On or about December 15, 2006, Acorn Capital Group LLC ("Acorn") entered into a Loan Agreement (the "REI Loan Agreement"), as amended, modified and restated from time to time, pursuant to which Acorn made a loan, to REI, initially in the amount of \$25 million and up to a maximum of \$40 million (the "REI Loan"). A true and correct copy of the REI Loan Agreement is annexed hereto as **Exhibit A**.

4. The REI Loan Agreement contemplated that the obligations due Acorn under the REI Loan Documents would be evidenced by one or more uncertificated Secured Registered Promissory Notes (each an "ESM Note" and collectively the "ESM Notes"). See Loan Agreement § 2(c).

5. The Obligations (as defined in the REI Loan Agreement) were guaranteed by Esmerian pursuant to a Guaranty dated December 15, 2006, as amended from time to time (the "Guaranty," and together with the REI Loan Agreement and all documents related or ancillary thereto (the "REI Loan Documents"). A copy of the Guaranty is annexed hereto as **Exhibit B**.

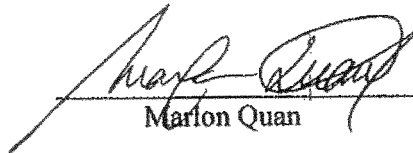
The Assignments

6. By a certain Assignment of Note(s), Causes of Action, and Ancillary Documents dated September 11, 2009 (the "Assignment"), Acorn transferred, assigned, granted and conveyed to SCAF LLC those certain Secured Registered Promissory Notes Nos. ESM-4 and ESM-6 (dated December 15, 2006), ESM-8 (dated December 31, 2006) and ESM-11 (dated December 28, 2006) (collectively, the "Assigned Notes") payable by REI to Acorn in the aggregate principal amount of \$16,500,000.00 (the "Principal Amount"). A copy of the Assignment is annexed hereto as **Exhibit C**. SCAF LLC paid consideration equal to the

Principal Amount, plus accrued interest, plus servicing fees due on the Assigned Notes for the Assigned Notes.

7. As of the date hereof, REI and Esmerian are indebted to SCAF LLC in the aggregate principal amount of \$16,150,000, plus unpaid interest, fees and other Obligations (as defined in the REI Loan Agreement) on account of the Assigned Notes. At least \$13,475.00 of the amount due SCAF LLC is unsecured.

8. The Assigned Notes were not assigned to SCAF LLC for the purposes of commencing the Bankruptcy Cases.


Marlon Quan

Sworn to and Subscribed to me this
12 day of May, 2010


Notary Public

LISA M. WHITLEY
NOTARY PUBLIC
MY COMMISSION EXPIRES 9/30/2011

CT Notary #146198